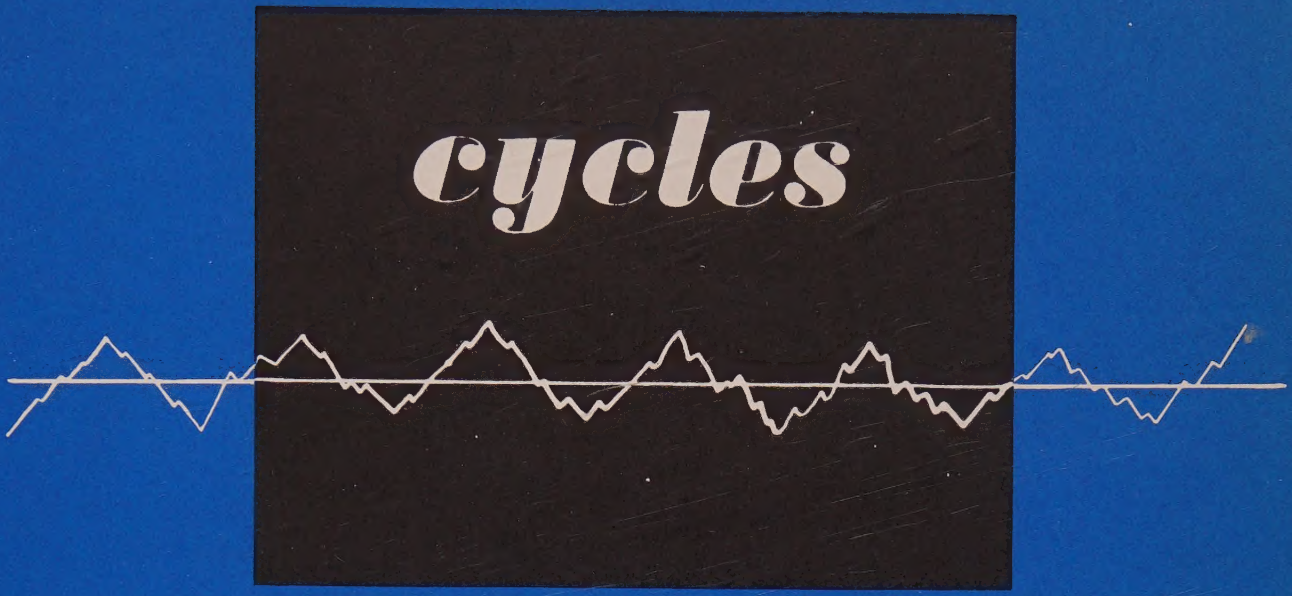
cycles



December 1960

FOUNDATION FOR THE STUDY OF CYCLES
New York, New York

cycles

DECEMBER 1960
VOLUME XI, NUMBER 12

Executive Director: Edward R. Dewey
Editor, Cycles: Gertrude F. Shirk
Manager, Production: M. A. Copeman
Editorial Advisors: Gustav Gumpert
C. James MacLemore
Manager, Membership: Gertrude E. Roessle

Table of Contents

The Director's Letter. 263
A discussion of two different philosophies about the fundamental nature of the Universe.

A Cycle Analysis of Standard & Poor's Index of Copper Price Shares. 265
A member shares with us the result of a very complete cycle analysis of copper share prices.

The Case for Exogenous Rhythms by E. R. Dewey. 269
A short review of the talk at Siena, Italy.

The 9-Year Cycle in Cattle on Farms Continues After Discovery by Gertrude Shirk 271

Time and Time Again by Gustav Gumpert 274

A Possible 4.43-Year Cycle in the Price of Lead 275

New York Chapter October Meeting . . 278
A report of a talk by William T. Livingston in which he emphasizes the danger of a serious recession.

The 1960 Index. 278
The Index is available to anyone who wants it.

Letters. 279
The Smith Decennial Pattern; Laws and Old Age

The Geisinger Indicator. 281

Cycles are only *one* of the forces you must consider if you are attempting economic forecasting.

If you ignore the cycles you run the risk of serious errors.

But unless you study and weigh all the *other* forces that, in addition to cycles, combine to create economic change, you will make grave mistakes.

Cycles is published by the Foundation for the Study of Cycles at the Foundation's office at East Brady, Pennsylvania. Subscription rate $12.50 a year. Entered as second class matter at the post office at East Brady, Pennsylvania, with additional entry at Dexter, Michigan. Publication office, 680 West End Avenue, New York 25, New York

DIRECTOR'S LETTER. . . .

Dear Member:

Your interest in cycles lies in the hope that increased knowledge of them will enable you to make better forecasts.

Basic Thinking

It may be in point to take a brief look at the more fundamental aspects of forecasting. A good way to start is to ask a simple question: "Could God Himself produce, *today,* a copy of next week's newspaper?"

As we think of God as all powerful, the answer is, "Yes—if He knew what was going to happen."

As we think of God as all wise, the answer continues, "Yes—if the future is knowable." But is the future knowable, even to God?

This brings us to the crux of the matter. If the future, *in complete detail*, is knowable today, then the future is fixed, and the Universe is a vast and glorious machine. If it is not fixed, obviously even an Infinite Intelligence could not know it.

One Point of View

I think that, today, most scientists believe that things are *not* absolutely fixed. They believe that the results we see about us are *averages* resulting from the interplay of forces and randoms.

These results *in the mass,* are predictable. The actuary, for example, knows that out of 100,000 people, about 9,800 will die during the next year. But he doesn't know *which* persons will die. For his purposes he doesn't need to know.

The modern scientist thinks the same way about the molecules of gas in a flask, or electrons in an atom. Each one goes its own way, more or less at random, but with results that are predictable *en mass.* They think of Infinite Intelligence as knowing infinitely more than they do about this mass behavior, but neither able nor needing to know, in advance, about the behavior of any *individual* molecule, electron (or piglet).

To put it very crudely, they think the Universe is like a sled set loose at the top of a steep, snow-covered hill. Because the hill slopes downward, we know in a general way what the sled will do. It will slide down. But because of the accidental and random irregularities involved no one knows *exactly* what it will do. We couldn't say, within a hundredth of an inch for example, just where it would reach the bottom, or within 1/100th of a second, just when.

The Universe may indeed have a random element in it. The scientists may be right. In that event God could *not* produce a copy of next week's newspaper.

Another Point of View

But suppose the scientists are wrong. Suppose everything is fixed. Then, of course, everything that is going to happen is knowable as far in advance as you might wish. That is, back in the time of Julius Caesar—or before that, if you like—it was knowable that you would exist and that at 14/10,000,000,000 seconds after X o'clock on this blank day of blank, 1960, you would be reading these words.

Of course, I don't mean that it was knowable to finite intelligence—I mean merely that if this view of the Universe is correct, it was knowable to Infinite Intelligence. If this is the way things are, the production of next week's newspaper would be easy—for God.

Complete rigidity does not mean that you don't have free will and free choice. You can swear off smoking if you want to. But complete rigidity, if it exists, does mean that, you being you, you will or will not want to! It doesn't mean that prayer is of no avail, but that, you being you, you will or will not pray, and that the Universe being what it is, the prayer will or will not be answered. The idea of complete rigidity is not stultifying, but it is in conflict with many of our ideas—our egos do not like the idea of our being merely cogs in a machine. And, if the whole business is a machine, what's the purpose of it, we ask.

These are the two basic views of the Universe. No one knows which is right. You may take your choice; only, you can't choose both; and having made your choice, you must stand by the implications.

If it is of interest to anyone, I, myself, believe in absolute rigidity. I have outlined my reasons for this belief on a previous occasion (*Cycles*, March 1958, pages 79—81). But I may be wrong. Every man is entitled to his first mistake. Maybe this is mine!

In Conclusion

What has this to do with cycles? Not too much. We could have cycles whether things are fixed or not—witness the cycle of the day, the cycle of the year. And conversely, we could have absolute rigidity and have no cycles at all—if that should happen to be the way the Universe were made. This is a point I would like to labor. Many people resist the idea of cycles because they feel that cycles are fatalistic. Not at all. Cycles are merely *forces* abroad in our world that we can learn about and use to our advantage. If we know about them we can, perhaps, circumvent them; if not, we can adapt to them.

Cordially yours,

Edward R. Dewey

Director

A Cycle Analysis of Standard & Poor's Index of Copper Share Prices

Several months ago we received a report from a member which gave a complete cycle analysis of copper share prices. We have his permission to print his work, but the member wants to remain anonymous. He is being very generous in passing along to you the results of this big (500 hours) and competent (see Figures 1 and 2) job.

Before going into the conclusions and details about this work it is only fair to mention Mr. Doe's comment, "I do not regard this analysis as the last word on the subject. I regard it as only a first approximation."

The work was based on Standard & Poor's Index of Copper Share Prices. He isolated *21 cycles* in the figures, and then combined the cycles with a trend to obtain a synthesis. He said, "Please remember that I feel that

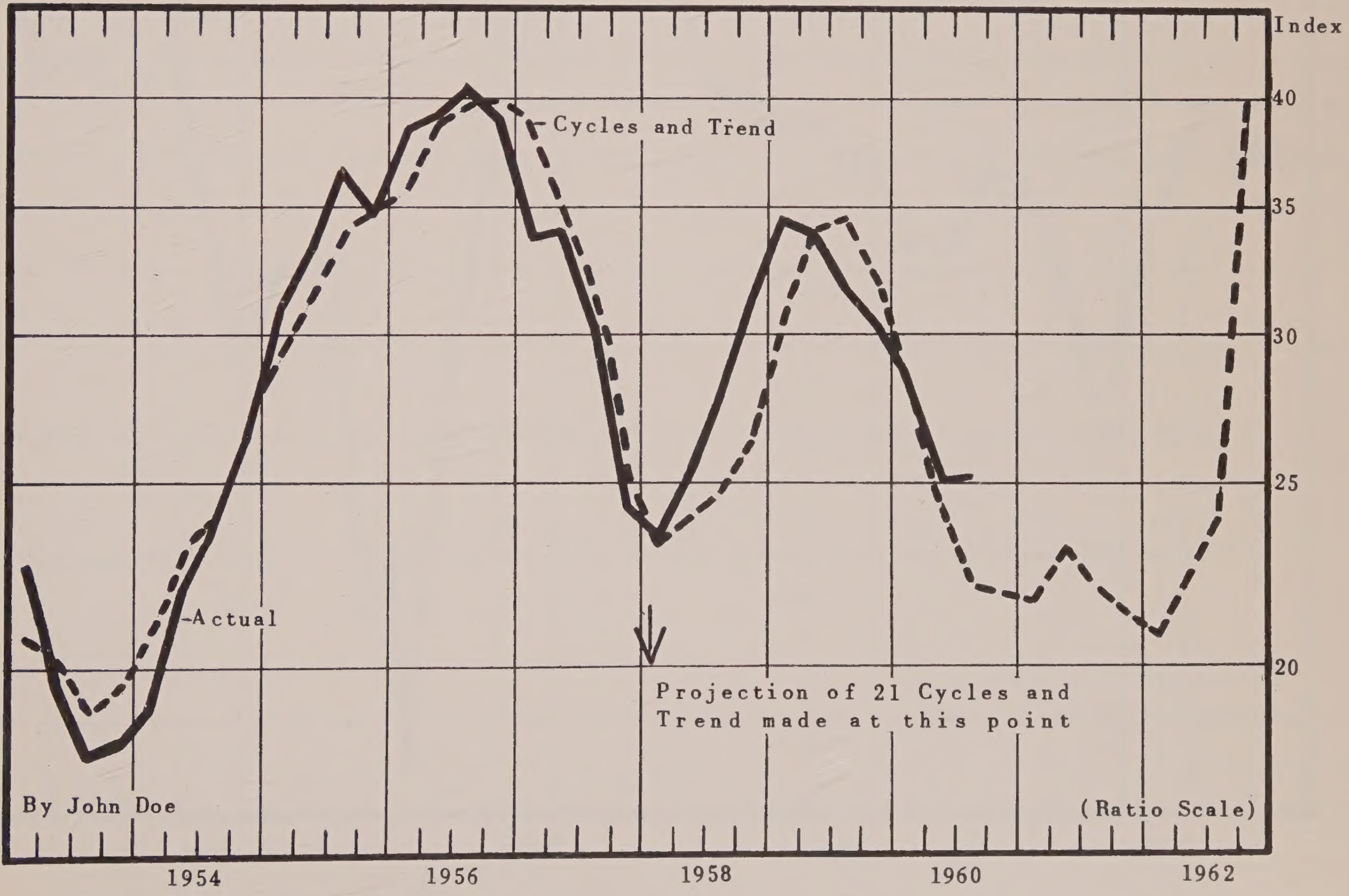


FIG. 1: STANDARD & POOR'S INDEX OF COPPER SHARE PRICES ACTUAL INDEX VS THE COMBINATION OF CYCLES AND TREND

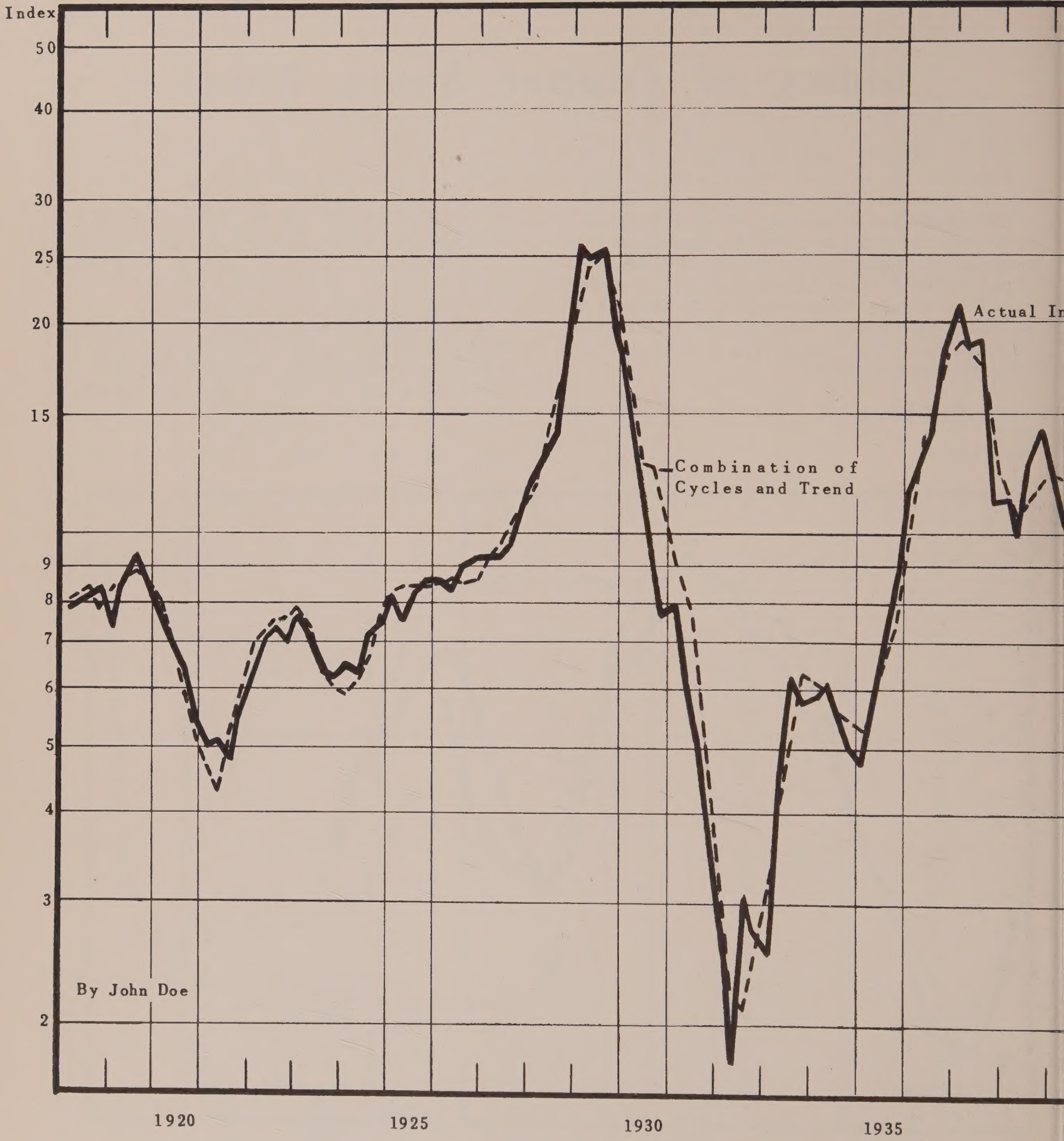
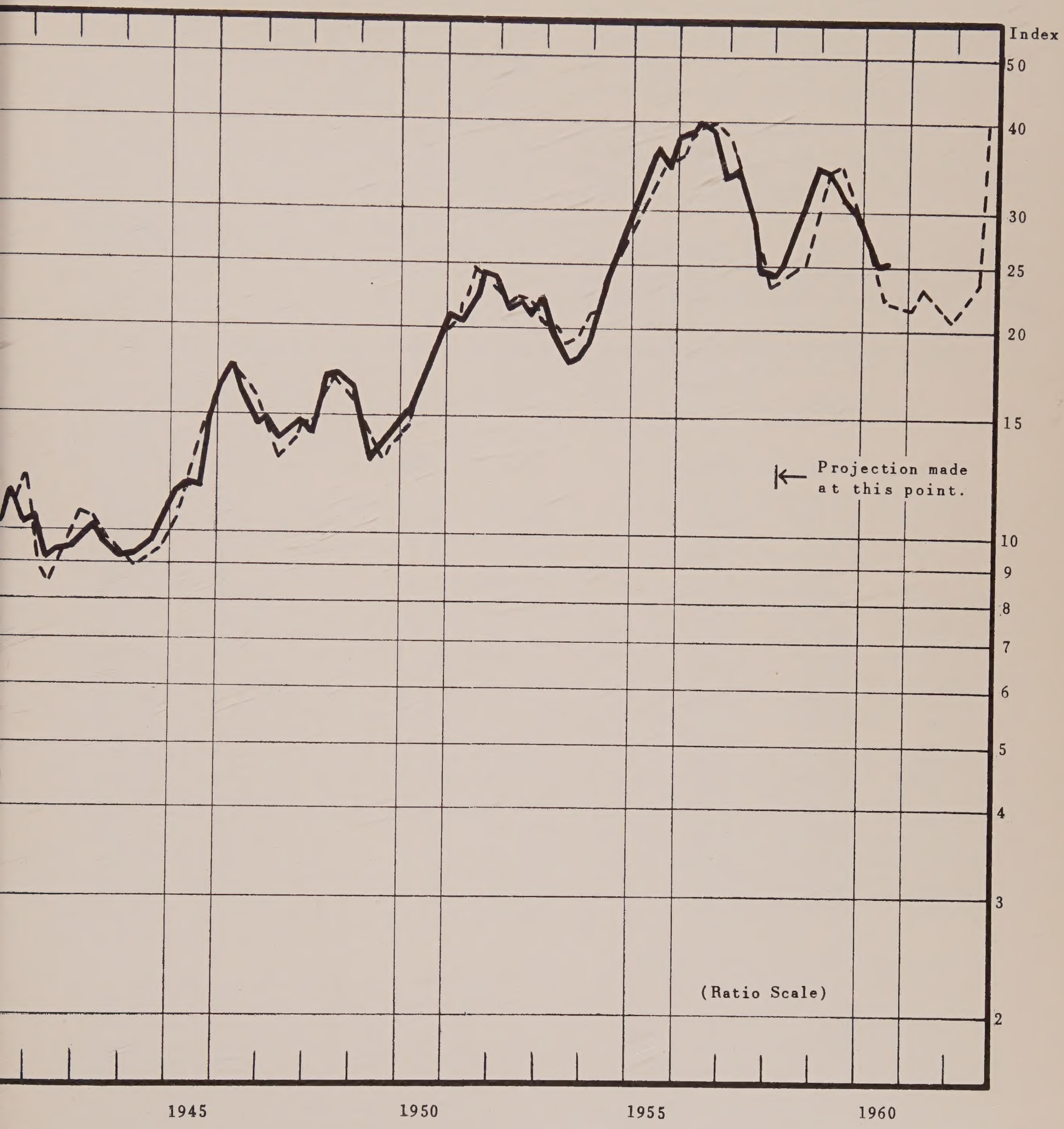


FIG. 2: THE RECORD OF STANDARD & POOR'S INDEX OF COPPER SHARE PRI



CTUAL INDEX VS THE COMBINATION OF CYCLES AND TREND only about half of the lengths used are approximations of significant cycles. The remaining lengths are 'pseudo-cycles' which are introduced by (the work)."

The combination of 21 cycles and trend are shown on Figure 1 by the broken line. The solid line gives the actual Standard & Poor's Index of Copper Stock Prices. The figures are all quarterly averages of the monthly indexes.

From the chart you would conclude that the price of common shares of stocks in copper companies may remain at a low level until late in 1961—if the cycles that are used are real, and if they continue to operate.

Mr. Doe said, "It is possible that this analysis, projected backward or forward, will come close to the truth for an uncertain length of time, but inevitably it will gradually drift farther and farther away from the line it should follow."

Figure 2 gives the picture of the complete analysis, beginning in 1918. Again the broken line combines the 21 cycles and the trend. The description of the cycles isolated by Mr. Doe is given in the table below.

There are some well known lengths used in this analysis. The use of a longer period of time would have allowed for more refinement of the longer lengths. The fact that so few repetitions of the longer cycles were available (because of the shortness of the data) will introduce some of the variation which will eventually develop between the two lines, as Mr. Doe mentioned.

Cycle Analysis of Standard & Poor's Index of Copper Shares

Cycles			Latest Crest		Amplitude	
					Per Cent of Trend	
Months	Quarter	Years	Year	Date	Plus	Minus
16.95	5.65	1.413	1960.874	Nov 15	3.5%	3.4 %
17.79	5.93	1.483	1959.600	Aug 7	3.0%	2.95%
20.01	6.67	1.668	1959.874	Nov 15	3.0%	2.95%
22.44	7.48	1.870	1959.511	Jul 6	3.5%	3.4 %
23.61	7.87	1.968	1959.224	Mar 23	3.5%	3.4 %
25.65	8.55	2.138	1959.187	Mar 9	5.4%	5.16%
27.60	9.20	2.300	1959.272	Apr 9	4.5%	4.28%
28.38	9.46	2.365	1957.965	Dec 18	5.0%	4.72%
30.60	10.20	2.550	1959.370	May 15	7.6%	7.10%
33.3	11.10	2.775	1959.224	Mar 23	5.2%	4.94%
35.49	11.83	2.958	1957.579	Jul 30	11.4%	10.26%
39.99	13.33	3.333	1959.705	Sep 14	12.0%	10.67%
42.38	14.125	3.531	1958.465	Jun 17	11.7%	10.46%
45.75	15.25	3.813	1956.685	Sep 7	10.7%	9.64%
52.95	17.65	4.413	1955.824	Oct 28	18.3%	15.47%
60.99	20.33	5.083	1955.665	Aug 31	10.7%	9.64%
70.92	23.64	5.91	1959.088	Feb 2	20.0%	16.63%
85.2	28.4	7.10	1958.126	Feb 15	29.2%	22.59%
103.2	34.4	8.60	1957.773	Oct 9	7.2%	6.68%
111.0	37.0	9.25	1956.101	Feb 6	57.0%	36.32%
150.36	50.12	12.53	1952.514	Oct 7	41.3%	29.21%

THE CASE FOR EXOGENOUS RHYTHMS

by Edward R. Dewey

(Excerpts from a paper presented at the Seventh International Conference on Biological Rhythm in Siena, Italy, on September 6, 1960. The complete text and all 49 charts are printed in the *Journal of Cycle Research* for October, 1960. The excerpts quoted here are the main parts of the talk.)

> *"An* EXOGENOUS *or forced rhythm is one caused by, or trued up by, something external to the phenomenon or system involved. It is in contrast to an* ENDOGENOUS *rhythm which is one that arises within the phenomenon or system itself."*

The existence of forced rhythms is the whole reason why we have a Science of Cycles. If the rhythms in sunspots, climate, disease, plant growth, ocean currents, economic affairs, volcanic eruptions, earthquakes, crop yields, church membership, animal abundance, etc., etc., were all completely separate and unrelated we would not need a Science of Cycles. Each branch of science could make its own cycle studies.

If there were no interrelationships among rhythms, the study of rhythm would be merely a branch of statistics instead of a discipline of science in its own right.

But there *are* interrelationships. Rhythms *are* forced. They are not the private property of the separate branches of sciences. Yet science has become so specialized that scientists no longer know much of anything or anybody outside of their own little specialities! If the interrelationships among rhythms, or the causes of rhythms, are to be run-down and ferreted out, it must be by a group of men dedicated to the study of rhythmic cycles as such, wherever found——That is, by a group concerned with *forced* rhythm in every field of natural and social science.

The purpose of my paper in Siena was to show that there *are* forced rhythms; that a Science of Cycles does indeed exist. And to bespeak the cooperation of the biologists in its prosecution.

> "RHYTHM *is the tendency of certain phenomena to repeat with reasonable regularity—that is, to repeat with a beat. It thus differs on the one hand from* PERIODICITY, *a word used to denote absolute regularity, and, on the other hand, from* CYCLE, *a word used to denote events which come around more or less to the place of beginning."*

Readers of these pages do not need to have these definitions repeated. However, the science of cycles is so new that, in public talks, they cannot be emphasized too often.

> *"When you see a chart that shows rhythm, your first reaction should be that the regularity of timing is mere coincidence. Unless a rhythm has repeated* ENOUGH *times and with* ENOUGH *regularity, the rhythm should be ascribed to chance."*

Of course, the *event* is not the result of chance. It has a cause. But the *regularity*, the *beat*, the *cycle*, may have come about merely by accident. Just the way red and black cards may come up alternately, for a while, in a well-shuffled deck of cards. We must beware the pitfall of thinking that rhythms of this sort are meaningful.

But suppose this hurdle has been passed. Then what?

> *"If a rhythm cannot reasonably be the result of chance, your next reaction should be to suppose a cause within the phenomenon, or at least the system of which the phenomenon is a part."*

The case for exogenous or forced rhythms rests upon those examples that cannot reasonably arise either from chance *or* from internal forces. This is so because science always choses the simpler of two possible explanations. And it is certainly simpler to assume that the rhythm arises within the system than outside of it.

For example, an automobile traveling over a rough road goes up and down with a rhythm. It is simpler to assume that the rhythm results from the properties of the springs than from equally spaced bumps in the road. Only if we find that the rhythm cannot be explained by the nature of the springs are we scientifically justified in going outside to seek an explanation.

> *"If we study the whole field of rhythm we find many examples of unrelated phenomena that are characterized by the same cycles . . . These facts suggest at least the possibility that the rhythms may be the result of some exogenous factor . . . This idea is reinforced when we note that the turning points of all these various rhythms come at more or less the same time."*

I gave the group in Siena many examples.

You yourself must know at least a dozen. It will therefore be enough, here, merely to remind you of one. The 9.6-year cycle in—

a) the acreage of wheat planted U.S.A. and harvested U.S.A.,
b) rainfall in India,
c) human heart disease in Northeastern United States,
d) the prevalence of tularemia,
e) the abundance of ozone at London and at Paris,
f) the abundance of rabbits, lynx, wolves, martens, and other Canadian mammals,
g) the abundance of Atlantic Salmon in Canada and at Wye in England, and
h) the abundance of ticks in Canada and chinch bugs in Illinois.
j) tree-ring widths.

Can anyone imagine that all these cycles with seemingly identical wave length, are unrelated? There *must* be a cause external to all but one of them—probably to all of them.

This one example would prove the case for forced rhythms.

> *"However, we do not need to find a variety of phenomena of the same wave length to get a suggestion of an external cause. If the rhythm has enough repetitions, and particularly if it extends over a long period of time, we may suspect external forces."*

Take the example of the undulating automobile. The time intervals between ups and downs will be the same in this quarter mile as in the quarter mile before and in the quarter mile to come, because it is the same car. But the waves are not likely to be *in step* with each other, mile after mile, unless the rhythm is forced. If we find that the rhythm *does* keep in step with itself we must assume and look for an external force—perhaps uniformly spaced bumps between the successive blocks of the concrete pavement.

Similarly where we have a 16 2/3-year rhythm in wrought iron prices in England from 1284 forward—before, during, and after the industrial revolution—we must assume some outside influence that trues things up to this length.

> *"When a cycle resulting from internal forces is distorted, its waves do not resume in phase with the old pattern, except by accident. Conversely, when the waves do resume in phase with the old pattern, we have the suggestion of a possible external cause."*

Consider, for example, a small boy marching down the street with the parade. He breaks step to chase a cat. Then he resumes his march. He is in step with his former steps. But he would not be in step with his former steps unless there were a band—an outside force—which continued during the interval.

> *"Rhythms that are endogenous would not show geographical pattern, except by accident, either. A chart showing the timing of cycles present on the average in rainfall at different stations throughout the world does, however, show pattern. The pattern is similar to that evidenced by sunspots. That is, the waves crest later and later as found from either pole toward the equator."*

Pattern does not arise by accident. When we have *systematic* variation we have evidence of interconnectedness.

> *"A final reason for thinking that the cause of at least some of the rhythms may be forced is found in the fact that rhythm wave lengths seem to occur in families."*

Here again, pattern does not arise by accident. If these wave lengths really are related—as they seem to be—*something* must make them behave that way. It is this something that we are looking for!

HOW IT CAME OUT:

THE 9-YEAR CYCLE IN CATTLE ON FARMS CONTINUES AFTER DISCOVERY

by Gertrude Shirk

Since 1954 a 9-year cycle in the number of cattle on farms has been working perfectly. We first told you about this 9-year cycle in the August-September 1955 issue of *Cycles*.

The cycle is not visible in the picture on the number of cattle, but Figure 2 on the next two pages shows the cycle after it has been separated out of the figures. If you are interested, a description of the technique is given on the chart.

The cycle had an ideal high in 1953, followed by a slide down to a low at the beginning of 1958. The line of the six yearly figures we have added to the work has followed this average pattern precisely.

At the present time the cycle is on the way up to a high due ideally during 1962. Although this cycle is a minor one, it will exert some upward force until 1962. Then it turns down again toward a low due at the beginning of 1967. That is, if the cycle is real and if it continues.

The words "a high due ideally in 1962" and "a low due at the beginning of 1967" describe a behavior which is simply an extension of the average past experience of this cycle. However, because the cycle has worked for six years since discovery, the probabilities that it will continue to work are increased.

There are two facts to keep in mind, however, if you are attempting to actually forecast the number of cattle.

First, as I mentioned above, this is a minor cycle and cannot be seen in the original figures. It may well be a significant cycle. It is present in the figures since the beginning of the record (1867) and *it has continued since discovery*. But it does not dominate the fluctuations in the number of cattle. From a low to a high the cycle moves about 5% around trend. That is about 1% a year. Of course, now that we have more than one hundred million head (!) of cattle, a 1% a year up or down force is 10,000 head, and in 4 1/2 years (one up or down leg of the cycle) that

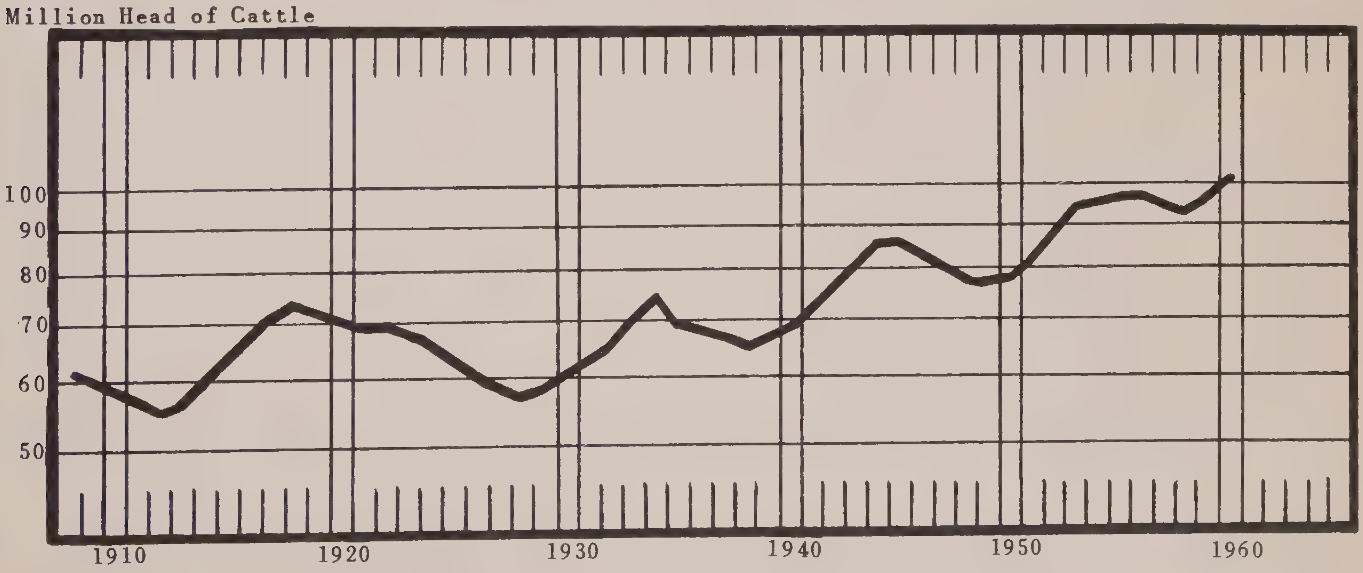
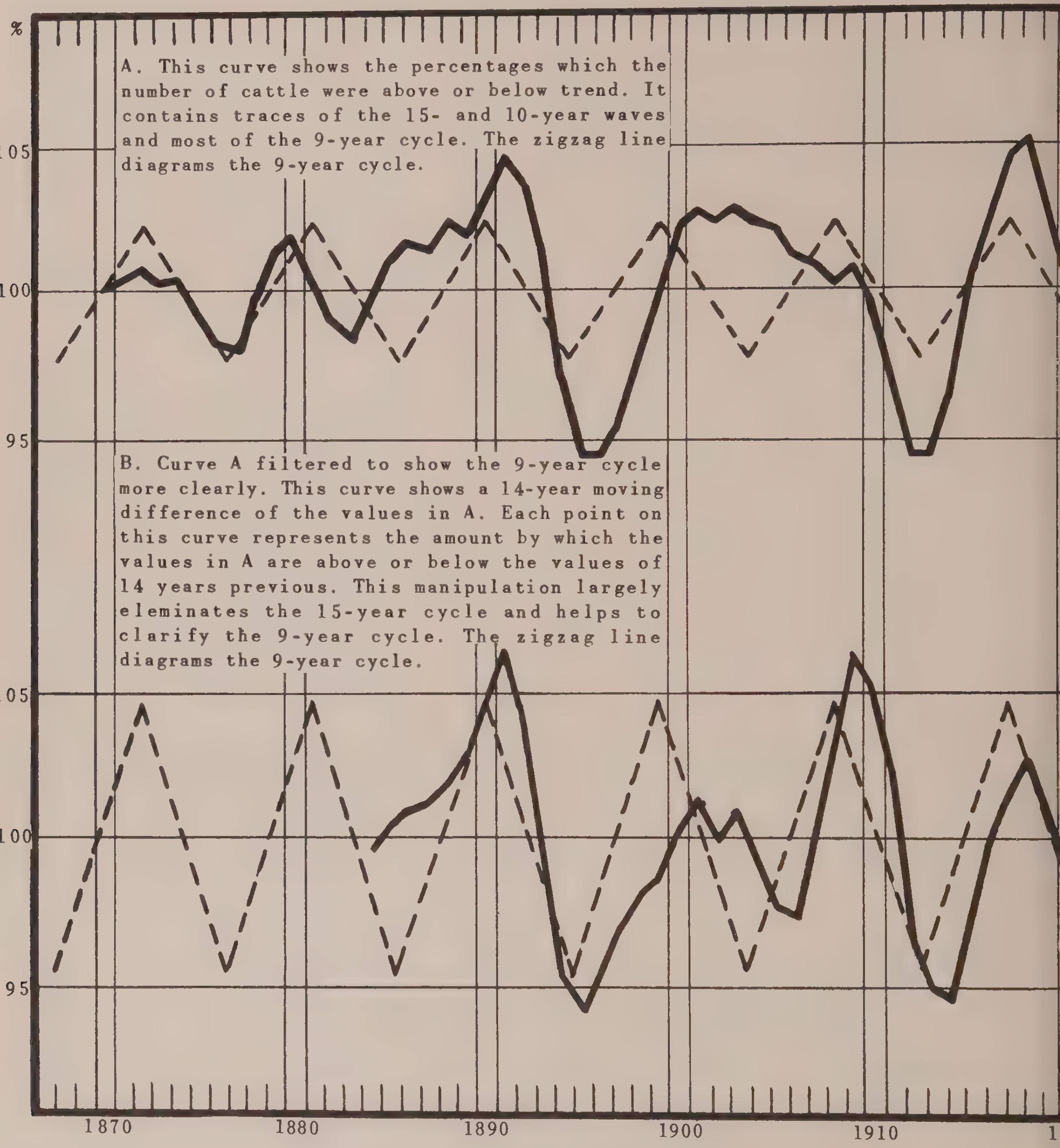


FIG. 1: THE NUMBER OF CATTLE ON FARMS (JANUARY 1 OF EACH YEAR)

amounts to 45,000 head. It is a factor that should be taken into account. But, to repeat, it is not a dominant factor.

Second, the major visible fluctuations in the number of cattle appear to be random. Or, at best, the series is so short, and the wave length so long that no cycle separation of these major swings is possible. If you look at Figure 1 you will see that they are slow moving oscillations with rolling tops and bottoms. There are three and one half repetitions of a 15-year wave, starting about 1882 and ending about 1934. (Figure 1 starts at 1908.) These waves are followed by three waves which average 10 years in length.

From three 15-year and three 10-year waves



A. This curve shows the percentages which the number of cattle were above or below trend. It contains traces of the 15- and 10-year waves and most of the 9-year cycle. The zigzag line diagrams the 9-year cycle.

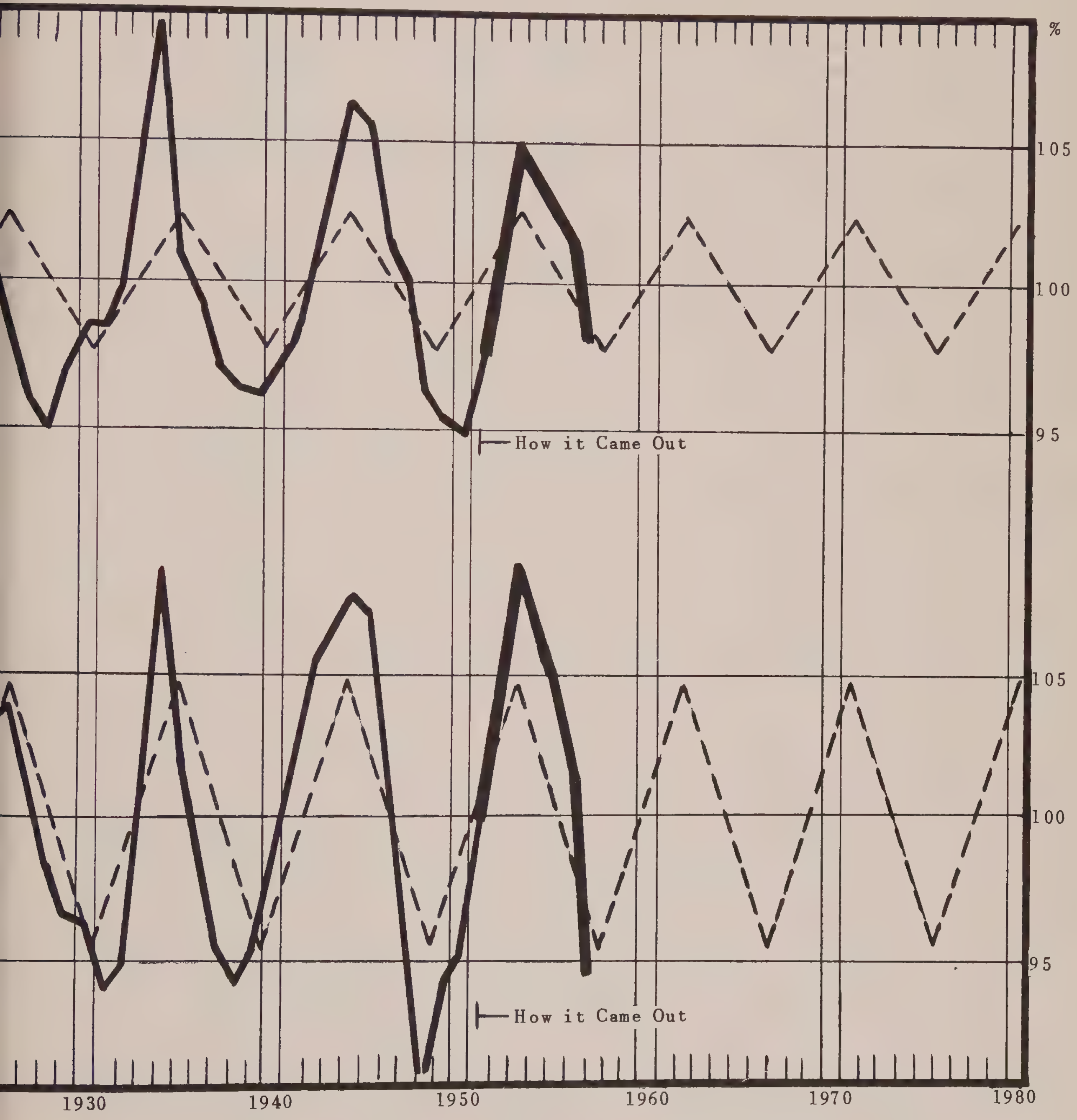
B. Curve A filtered to show the 9-year cycle more clearly. This curve shows a 14-year moving difference of the values in A. Each point on this curve represents the amount by which the values in A are above or below the values of 14 years previous. This manipulation largely eleminates the 15-year cycle and helps to clarify the 9-year cycle. The zigzag line diagrams the 9-year cycle.

FIG. 2: THE 9-YEAR CYCLE IN THE NUMBER OF CATTLE ON FARM

it is not possible to conclude more than that the actual figures will probably continue to roll up and down in long slow turns. The total number of cattle may continue to vary from 10 to 15 million between the tops and the bottoms of these swings, other things being equal.

Common sense, imagination and a knowledge of farm economics are all essential if you want to forecast the number of cattle. The 9-year cycle (with a top in 1962) is an additional fact to include in your evaluation.

The continuation of this 9-year cycle for six years since the story was first published adds another piece to the knowledge of cycles in general, and strengthens the hypothesis that this may be a rhythmic and "real" force.



Time and time again . . .

BY GUSTAV GUMPERT

Accentuate the Negative

Two magazines we've seen recently have articles on the subject of ions—the electrically charged atoms that flood the earth's atmosphere and contribute to man's sense of well-being, or lack of it. The main point of these discussions is that negative ions raise our spirits; positive ions depress them.

At least two companies have developed air conditioners with devices that charge the air negatively so that those breathing it will feel happier. One scientific study shows that persons with allergies, migraine headaches and certain respiratory illnesses are symptom-free in an atmosphere heavily charged with negative ions.

On the other hand, rooms filled with positively charged ions make people restless, give them headaches and sometimes nausea.

The medical journal *MD* makes this interesting comment: "Business cycles were for many years believed to coincide more or less with sun spot intensity. One explanation might be that sun spots cause magnetic and ionic storms (enough to disrupt radio and telegraphic transmission) which alter the ionic equilibrium of the atmosphere; if the proportion of positive ions increases, this could cause headaches and malaise, thus depressing morale and causing a slump in business activity."

The article then goes on to mention with approval John Nelson's famous study of planetary relations and radio weather, and concludes on this note: "Although no scientist has yet determined the physiologic or psychologic effects of ionic storms on the individual, the problem remains open and is not entirely in the realm of quackery."

Query: Has anyone done a correlation lately on stock market movements and ionic storms?

You've Got Rythm

Under the title "This Dial Can Foretell Your Future," *Pageant*, a popular digest magazine, gives a detailed report in its November issue about the Biorhythm computer we mentioned in a recent column.

The article is worth reading. It gives a convincing presentation of how a Swiss technician isolated an 11 1/2-day cycle in human mood swings and tells you—if you're interested—where you can buy a biorhythm computer, set to your mood rhythm.

Inside the Stock Market

A new method of analyzing stock market cycles has come to our attention during the past two or three months. We've watched it closely before venturing to say anything about it in this column; and, as a matter of fact, we're not free to divulge the details. But we can tell you something about the results.

What would you think, for example, of a system that called the major downturn of August 3, 1959 to the day—and a month and a half in advance? For those who may not follow market reports, this was the day in 1959 when the Dow-Jones average hit an all-time high and then started rather precipitously downward. It has never been quite the same since.

This same system gave a signal for a downturn on or about September 11 of this year; the actual drop (for a loss of about 15 points) came on September 12. It called for a modest recovery on September 28; and on September 29 the market started to move up again.

At this writing (October 13) here are the indications for October-November. By the time you read this, you'll be able to check their accuracy for yourself;

October 1—12, generally upward; October 12—17, sideways; October 17—25, faltering; October 25—November 18, depressed; November 18—20, new rally begins.

Like all prognostications, this system is speculative, still remains to be tested. We don't advise you take it too seriously, although it's certainly worth considering.

Famous Quotations

Nietzche: "The whole process of becoming consists of a repetition of a definite number of precisely similar states. . .everything has returned; Sirius, and the spider, and thy thoughts at this moment, and this last thought of thine that all these things will return."

A Possible 4.43-Year Cycle in the Price of Lead

More often than not, the price of lead appears to be influenced by a 4.43-year cycle. This cycle had a peak, speaking hypothetically, at November 1960. The fact that the price of lead is down, relative to last year, suggests that the underlying situation is even weaker than the current level of the price would indicate.

That is to say, during 1960 the price of lead at New York held steady at 12 cents a pound *despite* the upward force of this cycle.

Figure 1 below shows the record of the yearly average of the price of lead from 1926 forward. The arrows mark the dates of the ideal lows of a possible 4.43-year cycle. The next low is due at the beginning of 1963. These dates are based on the average past experience of this cycle. And, of course, the highs come halfway in-between the lows.

You can see from Figure 1 that this cycle, even if it is significant, is overwhelmed by random forces from time to time. A notable example of a random force was price control during the early forties. It kept the price line level. The price rise that followed the end of OPA was not cyclic, even though it corresponded to an up leg of the cycle.

Another important force, which is not related to any cycles that may be present is the underlying trend. In the past 12 years, ever-since the post war high of 18.04 cents in 1948, the underlying trend has apparently been going down.

The strength of the 4.43-year cycle is 107.2% of trend at a peak, and 93.3% of trend

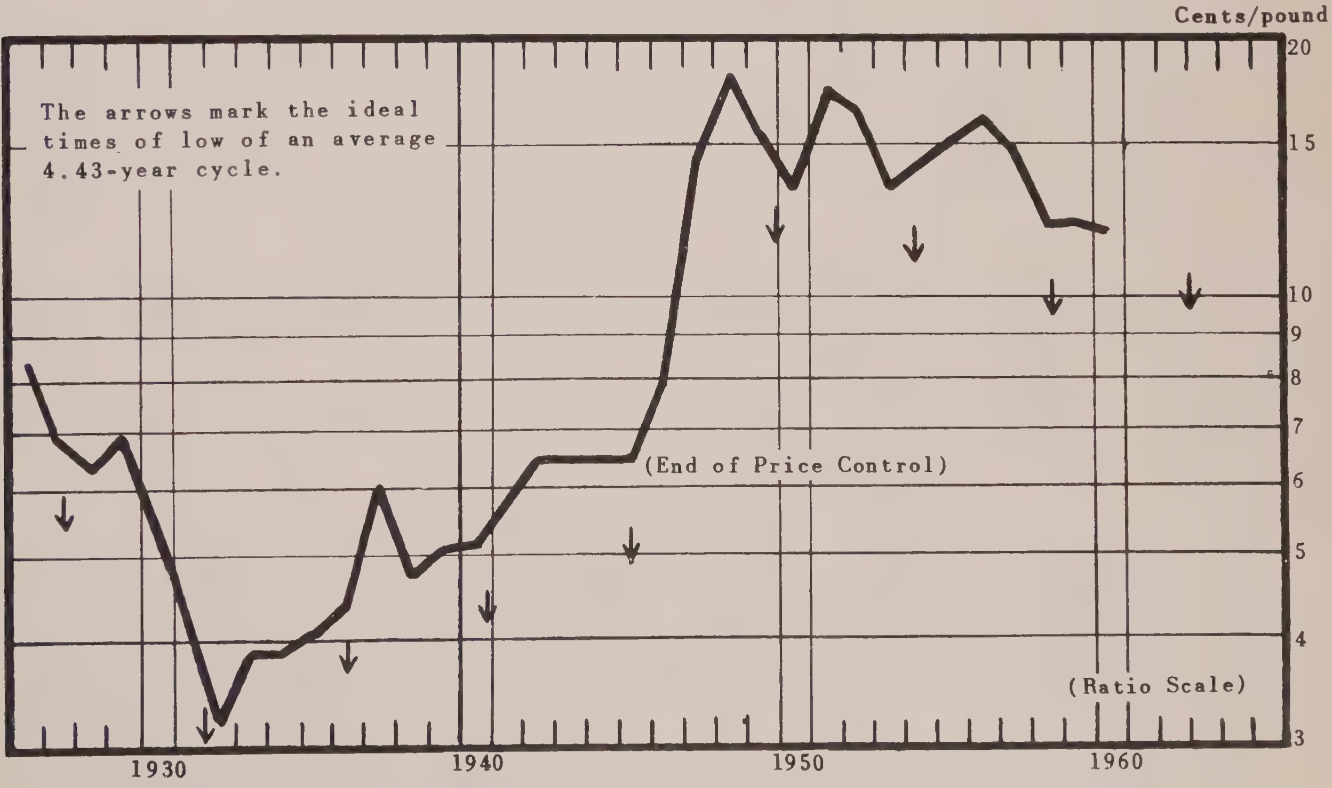


FIG. 1: THE PRICE OF LEAD AT NEW YORK

at a trough, on the average.

The performance of the cycle over the entire period for which figures are available can be seen on Figure 2. Every time a peak or trough comes within a year of the average cycle it is marked by a *. Of the 61 turning points since 1823, 40 have come within a year of the average timing. That is, the cycle has operated 66% of the time. This fact is the basis for the opening statement that *more often than not*, the price of lead appears to be influenced by a 4.43-year cycle.

The question of importance to anyone interested in the price of lead is what the situation is at the present time. The current status of the comparison between the cycle and the actual price of lead is amplified on Figure 3. It shows the 4.43-year cycle combined with an assumed underlying trend. (See the broken line.)

Although the trend of the price of lead has been downhill since 1948, this down-trend may have stopped and turned sideways. At least, the descent in the underlying trend may have hesitated enough so that the 1960 cycle peak should show through. We have shown it that way on the chart.

The combination of the 4.43-year cycle and the assumed underlying trend is compared to the average monthly price of lead at New York. See the solid line on Figure 3. Despite the high in the 4.43-year cycle in 1960, the actual price of lead has not moved. It has held steady at 12.00 cents a pound throughout the year.

If you are interested in forecasting the price of lead, an intimate knowledge of the industry is necessary. For example, high costs may have put a floor under the price of lead. I do not know. Whatever the factors are that have created the steady market price need to be known. When the particular set of circumstances that have set the price this year have changed, then the price will move accordingly.

At that point, the 4.43-year cycle may reassert itself. If you are forecasting lead prices, this cycle is one more factor to take into account. The next low on the cycle is at the beginning of 1963. During the years of 1961 and 1962, therefore, it will be exerting a downward force. Only time will tell if it will be an effective force. *G. S.*

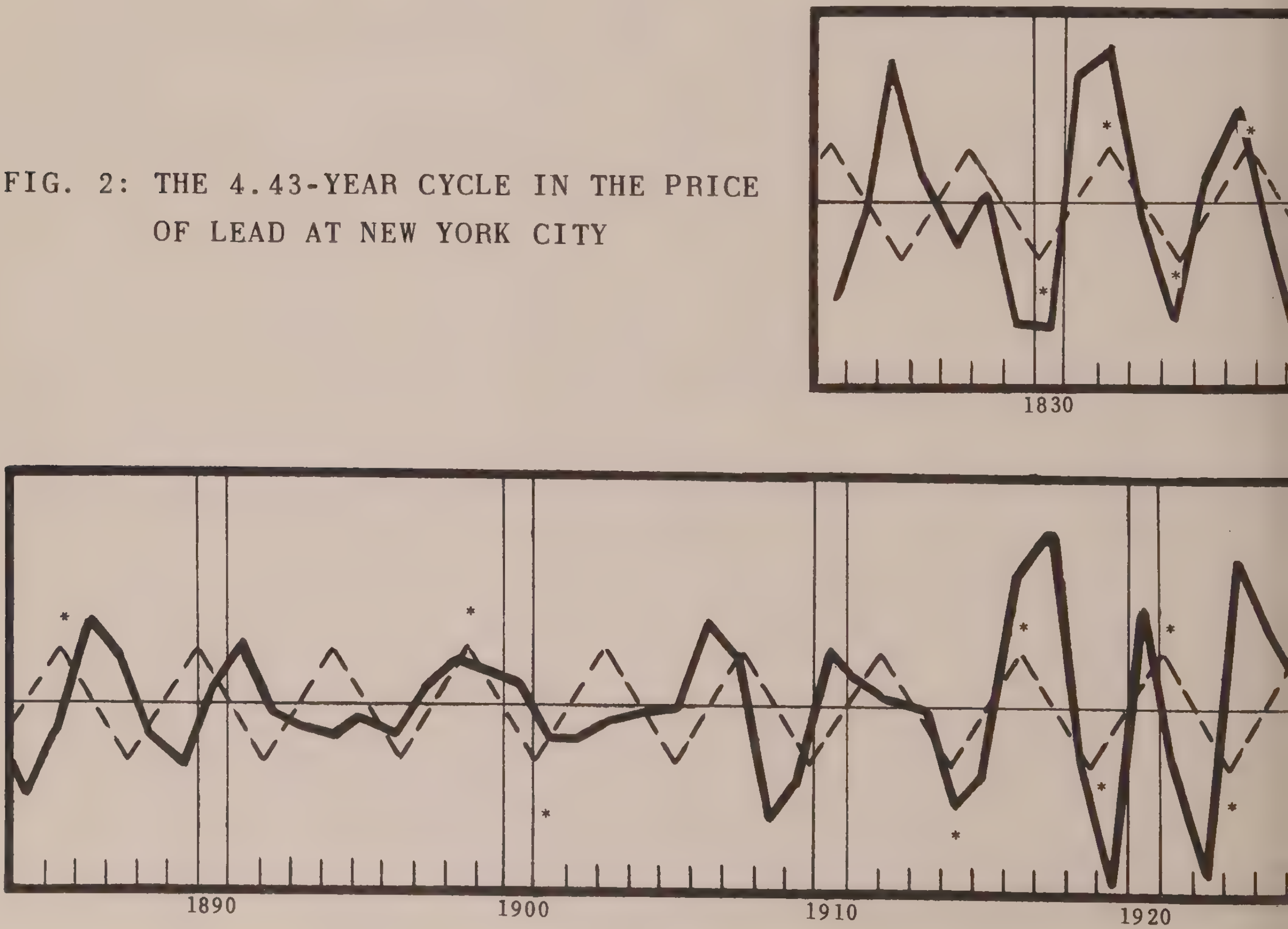


FIG. 2: THE 4.43-YEAR CYCLE IN THE PRICE OF LEAD AT NEW YORK CITY

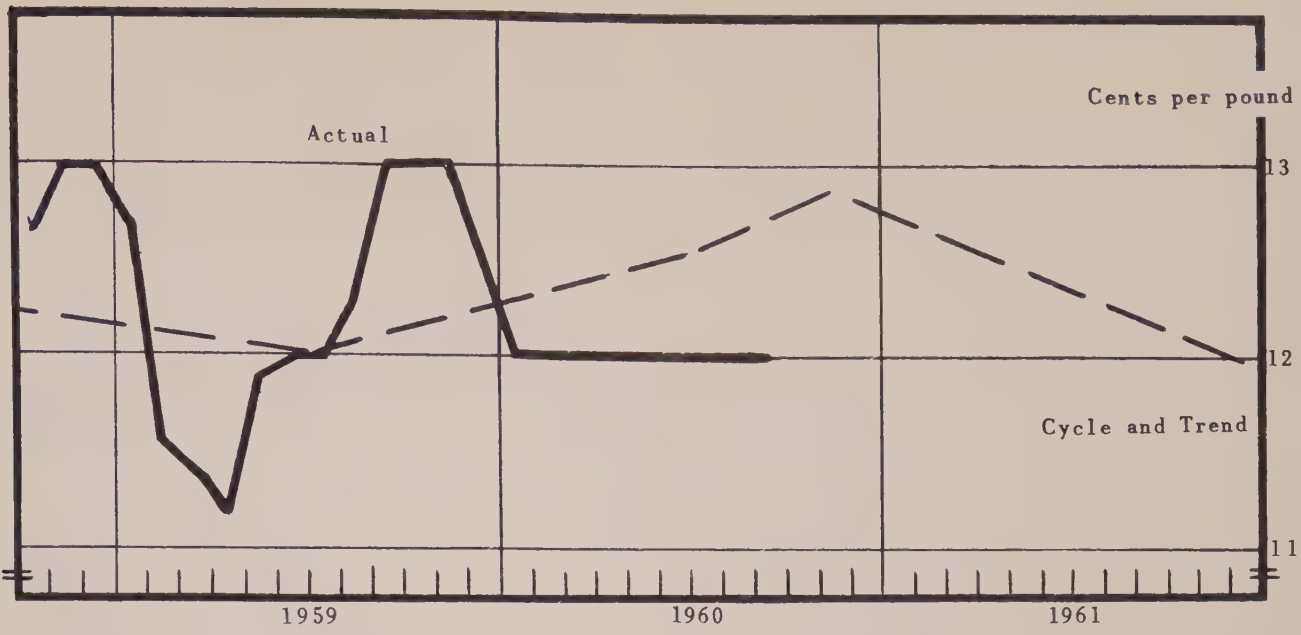
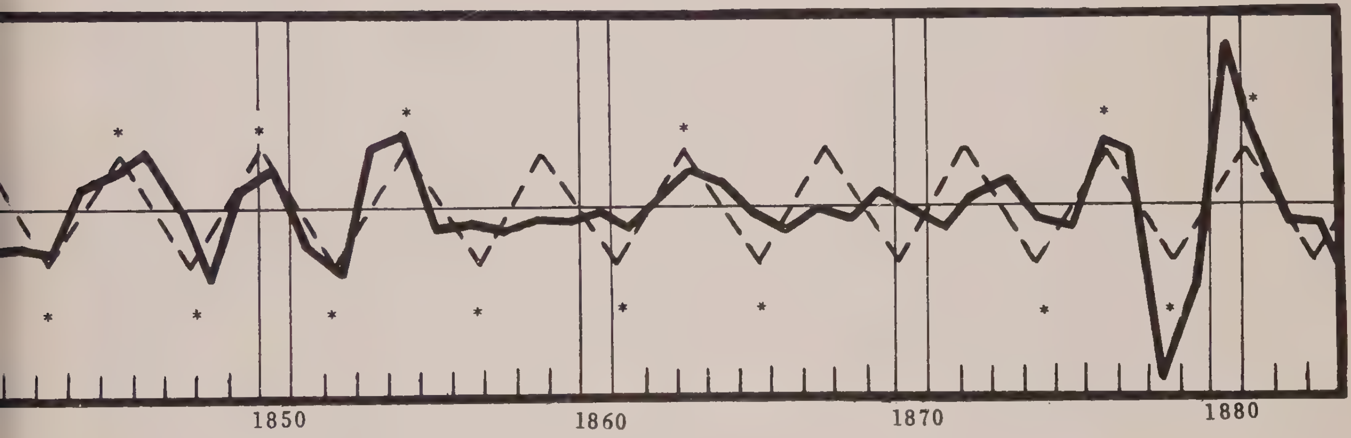
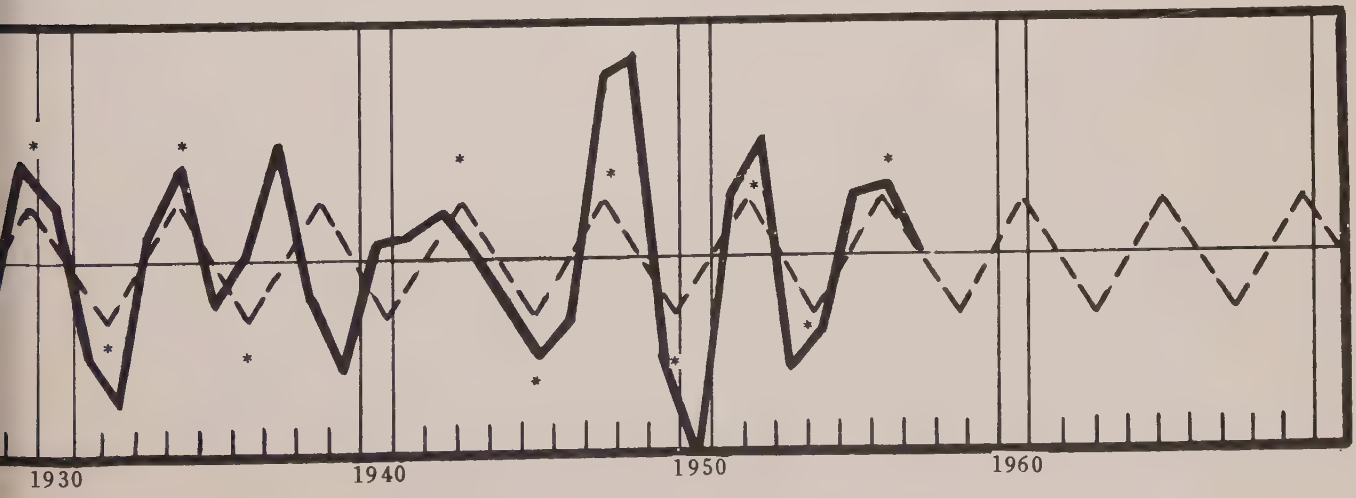


FIG. 3: THE PRICE OF LEAD AT NEW YORK COMPARED TO THE 4.43-YEAR CYCLE AND TREND





NEW YORK CHAPTER OCTOBER MEETING

The business cycle has passed its peak and depression looms ahead. This was the answer of William T. Livingston, Editor, *The Alexander Hamilton Institute*, to the question, "Has the Business Cycle Passed Its Peak?", the topic of his talk at the October dinner-meeting of the New York Chapter of the Foundation.

Livingston pointed out that all things run in cycles, and every major economic boom in the past has always been followed by a depression. In summoning the testimony of history he compared the post World War I period, 1919—1932, with that of post World War II, 1945—1960. He found four minor cycles each of three years duration in the former, and four or five of somewhat longer duration in the latter, thus indicating that built-in cushions have been unable to prevent recessions; the fact that the present major cycle is now fifteen years old compared with the previous eleven-year boom suggests that the peak is past due. He asserted that the minor cycle starting in 1959 will end with a minor recession in 1961 and if it coincides with the major cycle, several years of recession will be followed by a depression.

Following are several other economic factors offered by the speaker to justify his belief:

Though the potential supply of loanable funds is high enough, the effective supply is low because of the reduction in the available amount of wealth against which there is the ability or desire to borrow money. This is evidenced by a heavy consumer debt (which in the form of installment debt is 10% of personal income), a slowing down of the rate of increase of installment buying, and retail sales which are only slightly above those of last year. The absence of an exorbitantly high interest rate is the one factor lacking to indicate conclusively that a major recession is immediately ahead. However, he does not think a rise in interest rates improbable.

The 24% decline in the stock market in August, 1959 together with the present decline confirms the existence of a major bear market. Cautioning his listeners not to be fooled by rallies in the market while the business slump is in progress, the speaker referred to the devastating effects of the decline that followed the 1929—30 rally.

Three economic indicators foreshadowing recession are steel production at a little above 50% of capacity with no prospect for an appreciable rise; residential building down about 17% in the first half of 1960 from the record high in the same period in 1959; and a probable 10% decline in automobile production in 1961.

In a lighter vein, Livingston disclosed that ladies' skirts are shorter at the peak of the expansion phase of a business cycle and just before a business slump than at any other time. In 1929, a skirt length just exposing the kneecap was the fashion. The length of skirts has now generally attained the 1929 above-kneecap level, according to the speaker.

The wholesale commodity price index, still close to the high reached in March of this year, will indicate a major recession is under way when it begins to fall. Livingston expressed the belief that the slide is not far off.

Harry Bogaty
Secretary, New York Chapter

THE 1960 INDEX

In the past, each December issue of *Cycles* carried an index to the contents of the reports for the entire preceding year. The 1960 Index to the contents of *Cycles* is not a part of this year's December issue. It is being prepared and published separately.

If you would like a copy of the 1960 Index, please write to our New York office at 680 West End Avenue, New York 25, New York, and one will be sent to you.

Letters to the Editor

The Smith Decennial Pattern

Dear Mr. Dewey:

I have the Neill letter of October 5. As usual I think I agree with every word, except the chart of which I append a tracing. (Enclosed copy of the *Smith Decennial Pattern* from the February 1960 *Cycles*. Ed.) I am a crank on charts. I think charts ought to tell a true story at a glance; and a glance at the chart under discussion says that the past ten years were completely typical of the average of the past seven decades: the ups and downs and sideways and slopes and timing are the same for both lines. Which just ain't so!

On 1 January '51 DJI stood at about 240
On 1 January '60 DJI stood at about 682
240: 682:: 1.00: 2.84 in nine years

It won't hurt the argument if we say the market tripled in 10 years. This is the same as to say the rate of rise was 3 x 3 = 9 times in 20 years.

At the above rate, the market would have been:

On 1 Jan 1900 DJI was approximately 70
On 1 Jan 1920, 70 x 9 = 630
On 1 Jan 1940, 630 x 9 = 4,470
On 1 Jan 1960, 4,470 x 9 = 40,230

Well, I'm only 83 years old and I may well live to see DJI sell at $40,000—all we need is to go broke (we're well on the way) and the $ may do the same as the French Franc did—and there you have it.

As I see it, many things might happen. One is if we have another character like the mad-dog Hitler. A more pleasant outcome would be that the Russians gradually become enlightened and decide to throw out their rulers.

As far as my life is concerned, I imagine we are going to drift along as we have been for the past ten years, and by then I hope to be dead.

Wilmington, Delaware A. S. Krebs

Comment: Your comment presents an interesting interpretation. The chart is based on the work of Edgar Lawrence Smith, and as I understand the idea, the relative levels (in this instance) are not quite the point.

The idea is rather: in a given year of a decade, *on the average,* has the market moved up, down, or sideways when compared to the past decades? And what is the average decade contour?

To get a longer record the Standard and Poor's figures were used for the "average decade" line. The Dow Jones figures were used for the current decade because of the public interest in that average. This average line is then compared to the current decade, using, of course, single months; January 1951 to date. Thus, the comparison might be:

January Average, Eight Decades

1871—1941 inclusive	49.8
to the peak at	
September Average, Eight Decades	
1879—1949	85.0
Increase	70.7%

Compared to the Current Decade:

January 1951	244.45
December 1959	671.35
Increase	174.63%

Thus, perhaps a fairer comment would be that in the past the average increase has been (from the beginning to the peak of the decade) 70.7%, whereas the current decade rise had been over twice as great.

It is quite true that this is not reflected by the chart. However, any individual decade will vary from the average of all the decades. It is a fact, however, that I am glad you called to our attention, and which should be pointed out to our readers. G. S.

Laws and Old Age

Dear Mr. Dewey:
Your letter in the October *Cycles* stirs my interest to the point of comment. You are indubitably correct in citing the restrictions that did not fence in your father in 1901.

You are absolutely and positively in error in ascribing these laws to the old age of the U.S.A. The fact is too many laws have bugged our Republic since the very day of its inception. Actually the excess of laws represents the continuance of tyranny in the midst of our freedoms.

In support of this view I quote from the book *Thomas Jefferson on Democracy* by Saul K. Padover who in turn quotes Jefferson:

". . .Historically, Jefferson well knew, governments always encroached upon the individual's freedom, sometimes by means of coercive laws and sometimes by means of naked violence. That few rulers ever exercised power for the genuine benefit of the ruled was a proposition almost self-evident. In one of his most revealing sentences Jefferson once admitted that if he had to choose between despotism and anarchism he would choose anarchism. Were it made a question, whether no law, as among the savage Americans (Indians) or too much law, as among the civilized Europeans, submits man to the greatest evil, one who has seen both conditions of existence would pronounce it to the last. . ."

No one can estimate the growth potential of the United States under freedom and thereby its age; for there is no estimating the productions of science. In the severe depression of the nineteen hundred and thirties we were told by the liberals that the United States had grown old. What about the growth since?

The reason the writings of Thomas Jefferson and Benjamin Franklin often appear prophetic for our times is that they were men steeped in scientific habit of thought. Stated otherwise, they were thoroughly *honest-minded* men, a condition now rarely found in an American politician.

Oak Park, Illinois Morris Dickason

Comment: You misunderstood me. I didn't mean that we have all these laws because we are old. I meant just the reverse. All these laws and restrictions make us old. That is, they have the same effect on our body politic that hardening of the arteries, calcium deposits of the joints, etc., have upon our physical body.

If we would back track and abolish many of our restrictions, we could grow young again. E. R. D.

* * *

Dear Mr. Dewey:
I was most intrigued with your "Director's Letter" in the October *Cycles*.

Politically, we have heard much from the Democratic candidate about Russia out-distancing us in growth. The Republican candidate has taken the opposite view. Your letter would seem to support Kennedy who would have us think that we must spend ourselves into growth at the sacrifice of our freedom.

I believe that Mr. Nixon could very profitably use the material in your letter, though he may have to back down somewhat in his defense that Russia is not overtaking us. I would suggest that you endeavor to have a copy of your letter reach him.

Pittsburgh, Penna. G. F. Cronmiller, Jr.

Comment: As we are strictly nonpolitical and nonpartisan, I do not think it would be appropriate for me to send a copy of *Cycles* either to Mr. Nixon or to Mr. Kennedy, but there is no reason why you should not do so if you feel that anything I have said would help.

Russia is overtaking us, but I doubt if anything any politician would do would change the situation for the better. E. R. D.

* * *

Dear Sirs:
I find it difficult to understand the line of reasoning in the October "Letter." You said that whether or not a law is necessary, its mere presence is evidence of the aging of the economy.

Are you equating conservation and economic stagnation? If it were not for the long battle to protect and preserve the wildlife of our country, the game and fish would all be gone. To extend your analogy, if it were not for the many laws concerning the economy, it would long ago have descended into chaos.

Louisville, Kentucky D. B.

THE GEISINGER INDICATOR

We told you so!

Last May 25 we reported to you that the Geisinger Indicator had crossed the "danger" line of -2.00 during January. This signal indicated poor business for about eight months after January (that is, by September). You were put on notice four months ahead.

For September the Federal Reserve Board seasonally adjusted Index of Industrial Production dropped to 162, lower than for any month since November 1959. This drop was the first real departure from the relatively stable levels the Index had maintained throughout 1960.

The Geisinger Indicator does not give any hint as to how deep or how prolonged a dip in industrial production may be. But it has unfailingly indicated poor or bad business ahead. Last January's signal was the ninth time since 1947 that the Indicator has been correct.

After a danger signal, and after the following slowdown or slump, the next signal to watch for is *plus* 2.00. In the past this signal has always been followed by *good* times. In June (February 1961 when advanced eight months) the Geisinger Indicator crossed the zero line and stood at 0.20. I cannot guess at what it will do next month, and it is foolish to second guess this system. But it is true that the outlook is brighter when the Indicator is going up, even though it has not yet reached the *plus* 2.00 good times signal. (But don't go overboard. The Indicator may turn back down next month!)

The drop in Industrial Production was reflected in the First Difference Indicator, which went down to -1.00 in August. The Modified Geisinger Indicator went up to 0.37 for June.

Our recent warnings will stand until the Geisinger Indicator reaches *plus* 2.00. In the meantime we have seen the fulfillment, or the beginning of the fulfillment, of last January's danger signal.

October 26, 1960 E. R. Dewey

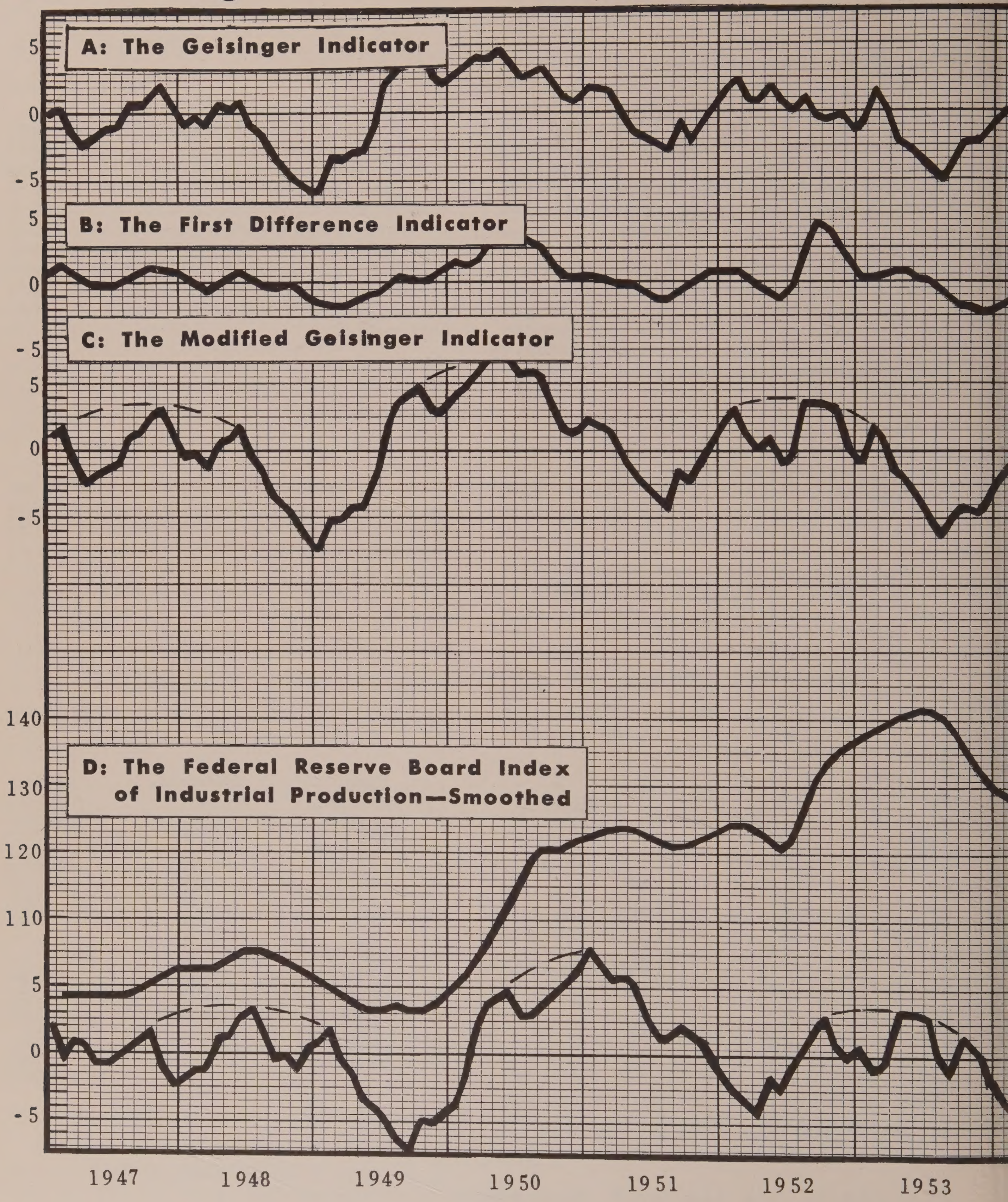
The recent record:

Month	F.R.B. Index	Geisinger Indicator	First Difference Indicator	Modified Geisinger Indicator	Timing Advanced 8 Months
Oct-1959	154	-3.20(steel strike)	-1.83	-5.03	1960-Jun
Nov	155	-1.00	1.00	0.00	Jul
Dec	165	-0.80	3.67	2.87	Aug
Jan-1960	168	-2.80(danger signal)	4.16	1.36	Sep
Feb	166	-1.60	2.00	0.40	Oct
Mar	166	-2.20(danger signal)	-0.33	-2.53	Nov
Apr	165	-2.00	-0.33	-2.33	Dec
May	167	-0.20	0.16	-0.04	1961-Jan
Jun	166	0.20	0.17	0.37	Feb
Jul	166	*	-0.17	*	Mar
Aug	165	*	-1.00p	*	Apr
Sep	162p	*	*	*	May

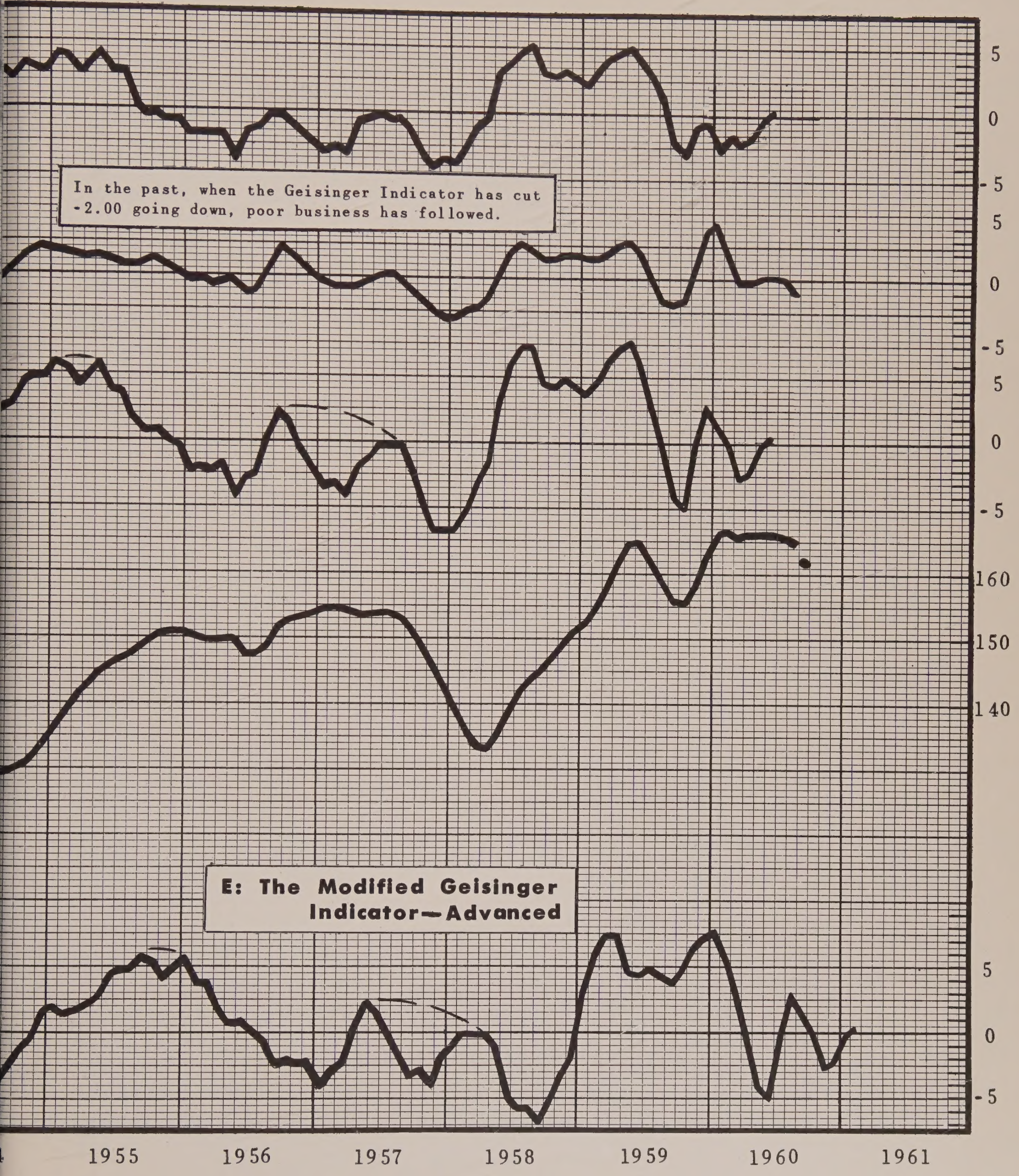
p - preliminary; * - not yet available

The chart: See the next two pages

The Geisinger Indicator Compared To Industri



Production:


In the past, when the Geisinger Indicator has cut -2.00 going down, poor business has followed.

E: The Modified Geisinger Indicator—Advanced

H A MUSHAM
741 N RUSH ST
CHICAGO, ILL

3